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## **SMALLER CROP FORECASTS FOR ARGENTINA**

The USDA's December update of projections of U.S. and world supply and consumption of grains and oilseeds contained some important changes from the November projections. Changes on the supply side was dominated by Argentina, where projections of production were lowered for wheat, corn, soybeans, and sunflowers. Production of wheat and soybeans is still expected to exceed that of last year, but corn and sunflower production is expected to be smaller than the previous crops. The corn crop is projected at 530 million bushels, compared to a crop of 610 million bushels last year. Soybean production is forecast at 1.34 billion bushels, up from 1.3 billion produced last year.

The lower projection of wheat production in Argentina was accompanied by a smaller projection for the crop in the European Union, but those declines were more than offset by larger projections for Canada, Australia, and Iran. Still, the 2003-04 world wheat crop is expected to be 3 percent smaller than the crop of last year and 5 percent smaller than the crop of two years ago. World wheat consumption is expected to exceed production by nearly 1.4 billion bushels, resulting in another decline in world stocks. For the U.S., the USDA increased the projection of exports for the current year by 25 million bushels, to an eight year high of 1.1 billion bushels. Through the first half of the year, U.S. wheat exports are lagging the projected pace, but unshipped sales are large enough to make the projection look reasonable. Year ending (June 1, 2004) U.S. stocks of wheat are projected at 583 million bushels, compared to stocks of 491 million at the start of the year.

The smaller soybean production forecast for Argentina was not offset by increases for any other producing country. The Brazilian crop is forecast at 2.2 billion bushels, about 275 million larger than last year's crop. World production in 2003-04 is still expected to be 100 million bushels larger than the 2002-03 crop in spite of a 300 million bushel decline in U.S. production. In addition, world production of other oilseeds is still expected to exceed last year's production by 10 percent, led by a 17 percent increase in rapeseed production. World soybean and total oilseed stocks are expected to remain large, even with a 7 percent increase in world consumption.

The USDA made no changes in the projection of use of U.S. soybeans during the 2003-04 marketing year. Total use cannot exceed the current projections due to limited supplies, but some had anticipated a large export projection and a smaller projection of domestic crush. Through the first quarter of the year, USDA reports indicate that U.S. soybean exports were about 7.6 percent larger

than exports during the same period last year. Exports for the year are projected to be down 14.8 percent. The Census Bureau estimates of exports for September and October 2003 are 15 million bushels larger than the USDA estimate. As of December 4, exports plus unshipped sales were still 12.6 larger than the total of a year ago, even after two consecutive weeks of modest sales.

Due to higher than expected prices to date and indications that soybean use is still proceeding too rapidly, the USDA increased the forecast of the marketing year average price by \$.15 per bushel. The average is expected to fall in a range of \$6.85 to \$7.65. The pace of export sales and the development of the South American crop will determine price behavior over the next several weeks. The market will be especially sensitive to reports that monitor the development of Asian rust in the Brazilian crop. Some are already beating the rust drum pretty hard.

This month's smaller corn production forecast for Argentina was also not offset by significant changes for other countries. Corn production outside the U.S. in 2003-04 is expected to be 900 million bushels, or 6.6 percent, less than during 2002-03. Foreign production of all coarse grains is expected to be down only 3.3 percent. As a result, world coarse grain consumption is expected to expand by nearly 2 percent. Stocks of coarse grains will be drawn down, but consumption will apparently not be restricted.

For the 2003-04 U.S. corn marketing year, the USDA increased the forecast of corn exports by 50 million bushels, to a three year high of 1.925 billion bushels. That projection is 21 percent larger than last year's exports. Shipments during the first quarter of the year were about 20 percent larger than those of a year ago. As of December 4, large unshipped sales put total export commitments (shipments plus sales) 27.5 percent ahead of last year's pace. The market will continue to watch Chinese export activity for signs that U.S. exports will differ from the current projection. Widespread anticipation of reduced competition from China has pushed cash corn prices to the highest level of the marketing year. The USDA raised its forecast of the 2003-04 U.S. average farm price by \$.10 per bushel, in a range of \$2.00 to \$2.40.

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***This is the last issue of Weekly Outlook for the year. The next release will be on January 5, 2004.***